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SUBJECT: FORMER JAPANESE INTELLIGENCE CHIEF: NEW DIRECTION
FOR JAPAN'S MIDEAST POLICY

Classified By: Charge d'Affaires Joe Dononvan for reasons
1.4(b) and (d)

11. (C) SUMMARY: Kazuhiro Sugita, former Director of the Cabinet Intelligence and Research Office (CIRO), believes Japan must support United States policy toward the Middle East but, at the same time, be more willing to pursue its own strategies and engagements in the region. He fears that following U.S. policy in the region too closely will lead to a loss of influence and economic opportunities and that Japan's competitors will rush in to fill the vacuum. In addition, Sugita believes that by engaging with countries such as Iran, Japan can still be loyal to and support U.S. policy objectives. Sugita also discussed how Japanese laws impact on Japan's ability to fight terrorism. It also appears that private companies may be assisting the government in the financing of intelligence operations. END SUMMARY.

12. (C) BIO NOTES: Kazuhiro Sugita served at the Director of CIRO between April 1997 until April 2001, serving former Prime Ministers Hashimoto, Obuchi, and Mori. Between April 2001 and January 2004, when he retired from government service, Sugita was Prime Minister Koizumi's Deputy Chief Cabinet Secretary in charge of Crisis Management. Prior assignments include postings as Chief of the Security Bureau of the National Police Agency (NPA), Chief of the NPA Security Bureau Foreign Affairs Division, Chief of the NPA's Personnel Bureau, and director of Prefectural Police Headquarters in Tottori and Kanagawa. Early in his career he served as a First Secretary in the Japanese Embassy in Paris. As CIRO director, he served in a position roughly equivalent to our Director of National Intelligence, coordinating all foreign and domestic intelligence gathering activities. Following his retirement, Sugita became an "advisor" to a number of large, influential Japanese companies including Japan Railway-Central, Tokyo Electric Power Company, and Toden Real Estate. He is also the President of the Institute for World Politics and Economy, a Cabinet-funded organization that prepares periodic reports for the Prime Minister's office. Embassy Tokyo political officer and Assistant Legal Attach called on Sugita June 18 after noting an article reporting that he and other former intelligence officials still wield considerable influence inside government circles. Sugita, born April 22, 1941, appeared to be in good health, although he mentioned he had recently undergone heart surgery and is only now getting back on his feet. He understood English but preferred to speak in Japanese.

JAPAN'S APPROACH TO THE MIDDLE EAST

13. (C) With regard to Japan's policies in the Middle East, Sugita explained that until recently, Japan just focused on energy security and ignored the strategic nature of oil. In other words, as long as Japan had access to Middle Eastern oil it was not interested in other issues in the region. However, after the Gulf War and 9-11, Japan could no longer afford to remain neutral towards the Middle East. As an ally of the U.S., Japan faithfully stood by the U.S. and supported its policies. Sugita believes this was the right thing to do, but noted that loyally standing with the United States has had an impact on Japan's own bilateral relations with other countries, such as Iran and Burma (although not in the Middle East), to name two.

14. (C) In the case of Burma, explained Sugita, as a result of following the U.S. lead to impose sanctions, Japan sacrificed a relationship in which Burma was favorably disposed toward it. Japan's positive presence and economic influence in Burma have subsequently declined. The Chinese quickly moved to fill this vacuum. With Iran, Japan also has had traditionally positive relations. However, deteriorating U.S.-Iran relations have also affected Japan-Iran relations, and consequently Japan had to withdraw from a development project in the Azadegan oil field. Japan again fears that the void created by its departure will be filled by a regional competitor, such as China or Russia. Sugita reported that Japanese business people often indicate to him they are afraid of U.S. sanctions and are anxious to receive positive signals through the Japanese government prior to investing in certain countries that they will not run afoul of the United States.

15. (C) In Sugita's view, it is important for Japan to invest more in the Middle East as the countries there are favorably disposed to Japan. In his capacity of the CIRO Director and Deputy Chief Cabinet Secretary, Sugita served four Prime Ministers. He told us he repeatedly advised all four PMs that Japan should follow the foreign policy lead of the U.S., but that Japan should also maintain its own independent ties with the Middle East and East Asia. He is convinced that maintaining Japan's own - more independent - relations with other countries will eventually assist the U.S. indirectly. Sugita pointed to Germany and France which, he said, in contrast to Japan, work closely with the U.S. to advance common policy objectives but, at the same time, maintain independent political and commercial relationships, dealing with Iran via their own approaches. Sugita lamented that Japan is too loyal and honest. He kept telling the PMs he served that he wished the U.S. would let Japan act more independently but still within the framework of the U.S.-Japan alliance.

16. (C) In order to enhance its relationships in the Middle East, explained Sugita, it is important for Japan to consider the countries of the region as strategic partners, not simply as oil suppliers. Japan should build multi-tiered relations with the Middle East in the fields of politics, economy, diplomacy, technical assistance, education, training and cultural exchange. As demonstrated by Prime Minister Abe's recent visit to the Middle East, Abe is serious about taking Japan's relations with the countries of the region to a different level. He said that Japan is sending more personnel to the Middle East and nurturing Arabic experts. Currently, said Sugita, Japan has few Middle East experts, academics, bureaucrats or diplomats speaking Arabic.

17. (C) If Japan can successfully build such relations with the countries of the Middle East, the presence and influence of Japan in the region will increase. This will enable Japan to make more meaningful contributions to the U.S.-Japan partnership. Sugita said this is an opinion widely shared by Japanese bureaucrats, economists and the late PM Hashimoto. To this end, Sugita hopes that the U.S. allows Japan to broaden its relations with Iran to some extent. His reasoning is that if Japan improves multitiered relations with the Middle East, Japan will obtain more "human information" and a better understanding of the region and what motivates and shapes the behavior of its inhabitants. This ability would

complement U.S. efforts, which are weak in this field given the perception by many that the U.S. is not a neutral party in the disputes that plague the region. Sugita recognizes that increasing ties with questionable regimes entails risk, but he believes such a risk can be minimized and the dividends it pays will be worth it.

¶18. (C) Commenting further on his views of U.S. influence in the Middle East, Sugita said that until the Suez Crisis, the U.S. had been respected and believed to be able to bring about peace to the Middle East as a neutral state. However, then the U.S. supported Israel, and many in the region and elsewhere believe the U.S. cannot fairly judge the issues in the Middle East now. Sugita said the perceived lack of neutrality of the part of the U.S. should be compensated for by Europe and Japan. To fulfill such a role, Japan must first broaden its multi-tiered relations with the Arab countries. Second, Japan should play a role in assisting Palestine to secure its independence, as President Bush has called for, and to prevent Palestine from returning to what it used to be.

¶19. (C) Sugita believes that the U.S.-Japan alliance should remain the solid basis for Japan's foreign policy, but believes both Japan and the United States should consider a division of labor between the two countries. Japan should think how it should cooperate with the U.S. in terms of not only diplomatic but also on other fronts.

JAPANESE LAWS DESIGNED FOR PEACE

¶10. (C) Discussing the role of the Japanese government concerning intelligence gathering, Sugita observed that "thanks to the U.S. victory in World War II" and the protection it has afforded Japan ever since, Japan has only known peace for the past sixty years. Accordingly, its laws are designed for peacetime, rather than for a time of war. Accordingly, when Japan finds itself in a state of war, many of its laws will be of no use, and may actually prove a hindrance. As an example, Sugita recounted how as the National Police Agency (NPA) Security Bureau Director at the time of the Aum terror attacks in Tokyo, he had strongly favored a request by the FBI to visit the scenes of the attacks. However, other officials urged caution, arguing that domestic laws did not permit such cooperation. As a result, it took some time for the NPA to receive assistance from the FBI.

¶11. (C) Sugita said that as Deputy Chief Cabinet Secretary at the time of 9-11, he had told then Prime Minister Koizumi that Japan was in a state of war, and that it needed "arms" in the form of laws to enable it to fight the enemy. Japan does not, he explained, have any type of law similar to the U.S. Patriot Act to enable law enforcement authorities to take all the necessary steps to fight terrorism.

¶12. (C) A recent positive development is that internal cooperation between Japanese law enforcement agencies is improving, Sugita believes. In the past, there has been much stove-piping but now the government is advancing internal information sharing within agencies and ministries on a more systematic basis and by exchanging personnel. Sugita believes that if the FBI passes information to the NPA now, the NPA will share it with CIRO. This has not always been the case.

PRIVATELY FINANCED INTELLIGENCE AGENCY?

¶13. (C) As noted above, since retiring from the government payroll, Sugita serves in an advisory capacity to a number of major companies. When we requested an appointment, he agreed to meet us at the Japan Railway Central Company's building in Tokyo, where he spends two days a month. Political officer and Assistant Legal Attach expected to find a bustling

office building liberally decorated with a train motif. Instead, we encountered a completely anonymous building like something out of "Men in Black." After driving around the neighborhood in vain looking for what we thought would be a well marked building, we finally found a security guard who directed us to a thoroughly nondescript, unmarked entrance through a chainlink fence that led us under several elevated roadways and up to an automated security checkpoint surveilled by several closed circuit television cameras. After presenting ourselves to the voice in the box, the gate opened and we proceeded over a long, open causeway under the watchful "eyes" of a number of additional cameras until finally reaching the unmarked, enclosed entrance to the building, an ultra-modern highrise. To this point we had not yet encountered or seen a single person. In the lobby, there was one uniformed guard who indicated "they" were coming for us. A moment later a young woman appeared through a locked door and led us inside to a bank of elevators. The elevator and all doors we subsequently passed through were accessed by cipher locks, her identification card, or fingerprint scanners. She led us through undecorated hallways to a well appointed meeting room. Sugita joined us in the meeting room a moment after we had entered. Following our meeting, the same young woman walked us out. Other than Sugita, our escort, and the security guard in the lobby, we didn't encounter or see anyone else in the building or on the grounds. The only obvious relationship the building had to a railway company was a nice view of a switching yard.

DONOVAN